



# Memorandum

To : Luciana Profaca, PhD  
Chief Deputy Director

From : Lori Bruno *[signed copy on file]*  
Acting Chief  
Audit Services

Date : October 7, 2008

Subject : **Final Report - Audit of Fiscal Year 2005/2006 Cooperative Agreement #24057 with Sonoma County Office of Education**

File No. : IVB18.43-1086

## Introduction

The Department of Rehabilitation (DOR) Audit Services has completed its audit of the Transition Partnership Program (TPP) Cooperative Agreement (Contract) #24057, effective July 1, 2005 through June 30, 2006, with the Sonoma County Office of Education (SCOE) in Santa Rosa.

The SCOE Transition Program is for special education students age 18 – 22 years old and is designed to “teach work” and support their growth into adulthood. Program activities take place in the community, at work sites and other locations, with a goal of helping students acquire the skills to secure and maintain employment after they leave school.

The daily living, academic, and domestic skills that are an integral part of working and the adult world are also emphasized. Transition students learn to ride public transportation, budget earnings, behave appropriately in public, follow directions and more. As they progress through the program, students fine-tune their work abilities, determine job preferences and learn to work with growing independence.

The TPP Contract services are provided through the SCOE Transition Program. In Fiscal year 2005/2006, SCOE expended \$16,730,500 for all federal award programs. The TPP Contract #24057 Service Budget total was \$369,834 and the Certified Expenditure Budget total was \$253,623. SCOE received contract payments from DOR totaling \$368,624, and the reported certified match was \$259,534.

SCOE was contracted to provide employment services to DOR consumers in five Santa Rosa City High Schools and one continuation high school. The Contract also serves the most significantly disabled DOR consumers in the SCOE operated 100% community based transition program for 18-22 year olds. The services are designed to prepare DOR consumers to obtain and retain competitive employment.

The Contract services are designed to jointly serve the mutual consumers of the DOR, administered through the Santa Rosa office and the Cooperative Agency (SCOE). The Contract service goals were:

- 220 unduplicated consumers to receive Contract services;
- 110 consumers to receive employment preparation services;
- 50 consumers to receive job development/placement and follow-up services;
- 20 consumers to receive non-supported employment job coaching services;
- Of the 50 consumers to receive job development and placement, 40 will retain employment for 90 days or longer.

### **Scope**

Audit fieldwork was conducted during March 2007 and the exit conference to discuss the tentative audit findings was held on April 3, 2007. We conducted our audit in accordance with Government Auditing Standards as defined by the Government Accountability Office, except for Standard 3.52 requiring an external peer review. These standards require that we obtain reasonable assurance that the expenditures incurred and the services provided are supported by appropriate records; and are in compliance with the Contract, 2005/06 Contract Manual (Contract Manual), and applicable State and Federal laws and regulations including the applicable Office of Management and Budget (OMB) Circulars. The audit also included a limited review of the internal controls applicable to the Contract. Our audit is subject to the inherent risk that all significant errors and irregularities, fraud, or non-compliance will not be identified.

Our audit included examining, on a sample basis, evidence supporting the information included on the Service Invoice (Invoices), Certified Expenditure Summaries (Summaries), and consumer service reports submitted to DOR.

Our audit also included a limited review of the internal controls as they relate directly to our audit of the Invoices through the use of questionnaires, and interviews with SCOE staff. A more comprehensive review of organizational internal controls was not conducted due to our reliance on the unqualified audit report issued by SCOE's independent auditor. In addition, we performed a limited review of other funding received by SCOE from DOR to ensure that duplicate funding did not occur between funding sources; obtained an understanding of the services provided by SCOE; and performed a limited review of the procedures in place to document and report the services provided to DOR consumers.

### **Summary of Findings and Recommendations**

The services provided and expenditures incurred by SCOE are supported by appropriate records; and are in compliance with the Contract, Contract Manual, and applicable State and Federal laws and regulations including OMB Circular A-87, except for the issues identified below. As a result of the findings identified, SCOE overbilled DOR by \$4,466. (**Exhibit A**) Specific details to the findings can be found in **Appendix I, Details to Findings**.

### **General Recommendation**

Effective contract management practices include reading the Contract and Contract Manual to identify expenses that can and cannot be charged to the Contract, to ensure understanding of the specific services to be provided under the Contract, and to identify what specific expenses are included in the Contract Budget Narrative. This will assist in properly processing and recording cost reimbursement contracts. Subsequently, expenses charged to the contract should be monitored to determine the appropriateness of costs charged, that expenses are charged to the correct line item, and for comparison of budget to actual costs to ensure compliance with the contract or to identify any needed changes, including revising or amending the contract as appropriate.

1. SCOE incorrectly billed DOR for indirect costs using a rate that exceeded the formally approved Contract indirect cost rate of 5.62%, resulting in an overbilling of \$4,380.

### **Recommendation:**

SCOE remit the unallowable overbilling of \$4,380 to the DOR Accounting Section. Further, we suggest the SCOE Program Manager consult with the Fiscal Office during the contract development period to determine the appropriate indirect cost rate to include in the contract. If the final approved indirect cost rate exceeds the contract budgeted rate, SCOE submit a budget revision or amendment to request approval in

accordance with the Contract and Contract Manual prior to incurring and billing these expenses. For guidance on how to implement this requirement, refer to the 2008/2009 Contract Manual.

2. SCOE overbilled DOR \$81 for the purchase of a cell phone that the contract staff already reimbursed to SCOE. As a result of this audit adjustment, indirect costs were overbilled by \$5 based on the allowable contract rate of 5.62%.

**Recommendation**

SCOE remit the unallowable overbilling of \$86 to the DOR Accounting Section. Further, SCOE ensure it only bills for expenses that are incurred and paid in compliance with the Contract.

3. Although SCOE reported \$259,534 certified match expenditures for the fiscal year 2005/06, the amount posted on the DOR Accounting Section Certified Expenditure Report was \$249,106, resulting in a net difference of \$10,428.

**Recommendation**

SCOE submit a revised Certified Expenditure Summary for the \$10,428 difference to DOR Accounting Section to ensure accurate reporting of the total certified match by DOR to the Rehabilitation Services Administration. Further, SCOE ensure all monthly costs are appropriately reported in the Monthly Value of Contribution Column on future Certified Expenditure Summaries.

4. SCOE incorrectly calculated and reported certified personnel costs to DOR for two contract staff in November 2005.
  - a. The Lead Case Manager (SRCS)' personnel costs did not include a salary increase or the employer-paid benefit costs.
  - b. The Project Manager's personnel costs were not calculated based on 100% salary costs.

**Recommendation:**

SCOE properly calculate personnel costs to ensure actual allowable costs are reported to DOR.

5. Although a SCOE contract staff documented activities, it was difficult to identify the specific time spent on contract activities and thus was not in compliance with the Contract and OMB A-87.

**Recommendation:**

SCOE ensure contract staff complete personnel activity reports, or equivalent, that support the time spent on contract activities in accordance with the Contract and OMB A-87. If SCOE decides to continue use of the Palm Pilot calendar method, improve the procedures to ensure the time spent on contract activities is adequately documented in compliance with the Contract and OMB A-87.

6. A listing of consumers receiving DOR services was not prepared by several contract staff providing direct consumer services at least monthly.

**Recommendation:**

SCOE contract direct service staff prepare a listing of consumers who received DOR contract services. For guidance on this requirement, refer to the 2008/09 Contract Manual.

7. SCOE did not perform the quarterly or annual reconciliation of their budgeted versus actual contract staff personnel costs in accordance with OMB A-87 and bill the resulting actual costs to DOR as required by the Contract.

**Recommendation:**

SCOE perform reconciliations of personnel costs, at least on a quarterly basis, in accordance with OMB A-87 and bill the actual costs to DOR in compliance with the Contract.

8. SCOE incorrectly billed travel costs and parking expenses on the Training line item.
  - a. Travel costs and parking expenses incurred for the TPP program were incorrectly billed on the Training line item rather than the Travel line item.
  - b. SCOE billed DOR for unallowable hotel costs that exceeded the State employee rate.
  - c. SCOE billed DOR based on a travel/conference advance rather than the actual expenses incurred and paid.

**Recommendation:**

SCOE ensure that DOR bills for expenses that are:

- Explicitly identified in the approved Contract Budget Narrative,
- Reported on the correct line item,
- Incurred and paid.

SCOE develop a procedure to delay billing DOR for any advance encumbrances reported on the Financial Activity Report until the event actual costs have been incurred and paid. One option for consideration could be a DOR invoice reconciliation worksheet.

SCOE only bill DOR for travel and per diem rates that do not exceed those amounts paid to the State's employees.

Additionally, we suggest SCOE, in consultation with the DOR Contract Administrator, amend its budget narrative line item description to more accurately reflect the Conference expenses included in the Financial Activity Report. This would provide for a more efficient billing process, improve accuracy in billing expenses to the appropriate line item, and provide a better audit trail.

9. The SCOE Conference and Travel Expense Claims (claims) prepared by contract staff did not adequately support the mileage expenses billed to DOR.

**Recommendation**

SCOE update procedures to ensure the purpose is sufficiently documented to adequately support that the mileage was incurred for specific allowable contract services, including documenting the consumers for which the mileage was incurred on the Conference and Travel Expense Claim or alternative document. Further, SCOE train staff on the new procedures and monitor the Monthly Mileage Report to ensure compliance with the new procedures.

10. SCOE did not retain all case notes used to prepare the monthly progress reports as required by the Contract.

**Recommendation:**

SCOE retain all documentation, including all case notes documenting services provided to consumers, to support the services and expenditures billed to DOR.

11. SCOE did not prepare and maintain cumulative service reports to adequately monitor and track the Service Outcomes/Numbers to be Served in the Contract. As a result, we were unable to determine whether SCOE achieved the contractor goals identified in the contract for unduplicated number of consumers to be served, employment services, job coaching services, and job retention.

**Recommendation:**

Now that SCOE prepares service reports, if through monitoring it is noted that the contractor goals are not being achieved, then SCOE and the DOR Contract Administrator should review and discuss the reason(s) why and take appropriate action.

12. Although SCOE has a Case Notes form, several consumer case notes were documented on plain paper or e-mail copies with inconsistent format, content, legibility, or date order, making it difficult to support the adequacy of the services provided.

**Recommendation:**

SCOE document all case notes in a sufficient, legible format to support the services provided and progress made in achieving the consumers' IPE goals as a result of the contract services.

The contents of this report have been discussed with Gary Moe, Assistant Superintendent; Denise Calvert, Director of Fiscal Services; Kathy Lamar, Principal/Program Manager; Connie Neuhouser, Lead Case Manager (SRCS); Becky Chevalier, Transition Technician; Jan Frey, Accounting Coordinator; Peter Harsch, DOR District Administrator; and Algeo Casul, DOR Rehabilitation Specialist. We appreciate their assistance with our audit. The audit was conducted by Russell Nakata, DOR Auditor, under the supervision of Lori Bruno, DOR Audit Supervisor.

**SCOE Response**

SCOE submitted a response to the audit report on September 16, 2008, which is included as **Exhibit B**. Although in the cover letter response SCOE expressed concerns regarding the audit process and lack of timeliness of reporting, they did not dispute the findings in the audit report. However, SCOE did comment on the finding related to the indirect cost rate. Audit Services comments which refute this statement is included as **Exhibit C**.

For report brevity, we did not include the referenced itemized response and attachments. The information contained was corrective actions that have been or will be taken, which are more appropriate for the Corrective Action Plan to be submitted subsequent to the final issuance of the audit report. Audit Services will contact the Program Administrator for further clarification.

### **Corrective Action and Follow-up Report**

1. SCOE shall develop a corrective action plan which indicates the actions taken or to be taken to correct the findings identified in this report. The corrective plan must be submitted by November 14, 2008 to the DOR Audit Services with a copy to the DOR Contract Administrator.
2. The DOR Contract Administrator shall perform a follow-up review on the findings to ensure the issues have been appropriately resolved. Once follow-up has been conducted, the DOR Contract Administrator shall submit a report to DOR Audit Services by January 9, 2009. The follow-up report must address each audit finding/recommendation separately, include an explanation of the specific review procedures conducted by the Contract Administrator, identify any documents reviewed, and indicate whether each finding has been resolved.



**Sonoma County Office of Education (SCOE)  
Cooperative Agreement # 24057  
Fiscal Year 2005/06**

**Details to Findings**

The services provided and expenditures incurred and reported by SCOE are supported by appropriate records; and are in compliance with the Contract, 2005/2006 Contract Manual (Contract Manual), and applicable State and Federal laws and regulations including the Office of Management and Budget (OMB) Circular A-87, except for the issues identified below. As a result of the findings identified, SCOE overbilled DOR by \$4,466. (Exhibit A)

**General Recommendation**

Effective contract management practices include reading the Contract and Contract Manual to identify expenses that can and cannot be charged to the Contract, to ensure understanding of the specific services to be provided under the Contract, and to identify what specific expenses are included in the Contract Budget Narrative. This will assist in properly processing and recording cost reimbursement contracts. Subsequently, expenses charged to the contract should be monitored to determine the appropriateness of costs charged to the contract, that expenses are charged to the correct line item, and for comparison of budget to actual costs to ensure compliance with the contract or to identify any needed changes, including revising or amending the contract as appropriate.

**Indirect Costs/Administrative Overhead Disallowance**

1. SCOE incorrectly billed DOR for indirect costs using a rate that exceeded the formally approved Contract rate, resulting in an overbilling of \$4,380. Although the 6.89% indirect cost rate used by SCOE had been approved by the California Department of Education, the contract was not amended to reflect the increased rate. In the Contract Budget Narrative, mutually agreed to by SCOE and DOR, the indirect cost rate is 5.62%.

Personnel/Operating Costs Billed Subtotal FY 2005/2006	Amount Billed CDE Rate 6.89%	Amount Allowed Contract Rate 5.62%	Over- Payment
\$344,866	\$23,761	\$19,381	\$4,380

The Contractor can only bill indirect costs using the lesser of the actual indirect cost rate or the approved contract rate. To alter the indirect cost rate would have required an approved amendment in accordance with Contract Exhibit B, Exhibit C, and the Contract Manual, which SCOE did not request or receive.

**Recommendation:**

SCOE remit the unallowable overbilling of \$4,380 to the DOR Accounting Section. Further, we suggest the SCOE Program Manager consult with the Fiscal Office during the contract development period to determine the appropriate indirect cost rate to include in the contract. If the final approved indirect cost rate exceeds the contract budgeted rate, SCOE submit a budget revision or amendment to request approval in accordance with the Contract and Contract Manual prior to incurring and billing these expenses. For guidance on how to implement this requirement, refer to the 2008/2009 Contract Manual.

**Operating - Cell Phone Purchase Disallowance**

2. SCOE overbilled DOR \$81 for the purchase of a cell phone that the contract staff already reimbursed to SCOE. When informed of this expense, SCOE agreed this expense should not have been billed to DOR.

As a result of this audit adjustment, indirect costs were overbilled by \$5 based on the allowable contract rate of 5.62%.

The Contract Exhibit B only allows reimbursements for expenditures incurred and paid by SCOE.

**Recommendation**

SCOE remit the unallowable overbilling of \$86 to the DOR Accounting Section. Further, SCOE ensure it only bills for expenses that are incurred and paid in compliance with the Contract.

**Certified Match - Understated**

3. Although SCOE reported \$259,534 certified match expenditures for the fiscal year 2005/06, the amount posted on the DOR Accounting Section Certified Expenditure Report was \$249,106. The \$10,428 understatement resulted from:
  - SCOE Rent expense of \$8,922 and SRCSD Total Indirect Costs of \$1,466 were reported in the Cumulative Contribution Column but were not picked up in the Monthly Value of Contribution Column.

Thus, although these costs were included in the year-end total they were not reflected in the total monthly certified amounts reported to and input by the DOR Accounting Section to record contract match funding.

- SCOE reported the July 2005 SCOE Indirect Cost using the prior year's approved rate of 5.62% (\$187) when the amount should have been \$230 using the current year approved rate of 6.89%. Due to rounding adjustments in later months, the year-end difference was \$40.

#### **Recommendation**

SCOE submit a revised Certified Expenditure Summary for the \$10,428 difference to DOR Accounting Section to ensure accurate reporting of the total certified match by DOR to the Rehabilitation Services Administration. Further, SCOE ensure all monthly costs are appropriately reported in the Monthly Value of Contribution Column on future Certified Expenditure Summaries.

#### **Contract Compliance - Personnel**

4. SCOE incorrectly calculated and reported certified personnel costs to DOR for two contract staff in November 2005.
  - a. The Lead Case Manager (SRCS)' personnel costs did not include a salary increase since the payroll information for November 2005 was late. Further, SCOE staff incorrectly assumed the "Gross" column amount on the Employer Paid Benefit Distribution report included the employer-paid benefit costs. Thus, \$3,338 was reported rather than the actual amount of \$4,194, an under-reporting of \$856.
  - b. The Project Manager's personnel costs were not calculated based on 100% salary costs. SCOE's accounting system automatically allocates the Program Manager's salary and employer-paid benefit costs at 92% to SCOE and 8% to Workability I. In determining the certified personnel costs to report to DOR, SCOE used the 92% salary and benefit costs rather than the full 100%. As a result, the personnel costs were under-reported by \$182.

Since the certified expenditures reported by SCOE were sufficient to meet match requirements, no audit adjustments will be made.

#### **Recommendation:**

SCOE properly calculate personnel costs to ensure actual allowable costs are reported to DOR.

5. Although a SCOE contract staff documented activities, it was difficult to identify the specific time spent on contract activities and thus was not in compliance with the Contract and OMB A-87. Specifically, the full-time Program Manager used a Palm Pilot calendar to record meetings. At the end of the month, she printed the Palm Pilot calendar with an addendum showing additional hours not evident on the first page, added hand-written hours to the hard-copy, and signed the documents. She then submitted it to the Transition Technician, who would add up the hand-written hours and include the total number of hours on the calendar. Further, no hours were specifically reported for other state or federal programs, particularly Workability I, even though she is budgeted at 8% to this program and stated she works on this program.

The Program Manager believed the Palm Pilot calendar is reasonable, accurate and met the requirements for Personnel Activity Reports (PARS) because she ensures the calendar only includes meetings she actually attended and thought it was acceptable as long as Contract related activities could be identified. However, we had difficulty confirming the hours designated as contract activities and how the daily contract and total hours worked were determined. Thus, the current time reporting process is not in compliance with OMB A-87.

The Contract Exhibit D and OMB A-87 require that an acceptable method of cost accounting for time must be established and records kept that would satisfy State and Federal audit requirements. Further, the Contract requires that all contract staff shall prepare PARS, or equivalent, that support the distribution of salaries reported to DOR, including the total hours worked on DOR contract activities/ services and total hours worked for all programs.

**Recommendation:**

SCOE ensure contract staff complete PARS, or equivalent, that support the time spent on contract activities in accordance with the Contract and OMB A-87. If SCOE chooses to continue use of the Palm Pilot calendar method, improve the procedures to ensure the time spent on contract activities is adequately documented in compliance with the Contract and OMB A-87.

6. A listing of consumers receiving DOR services was not prepared by several contract staff providing direct consumer services at least monthly. Staff stated they did not do so because of the large number of consumers in the program and that they believed the cumulative listing of all consumers with current status was sufficient. However, they

acknowledged that not all consumers on the cumulative listing received services each month.

The Contract Exhibit D requires that all contract (direct) staff prepare personnel activity reports that support the distribution of salaries billed/reported to DOR, including a listing of consumers who received DOR services during this period. A TPP class listing would also be sufficient to satisfy this requirement.

**Recommendation:**

SCOE contract direct service staff prepare a listing of consumers who received DOR contract services. For guidance on this requirement, refer to the 2008/09 Contract Manual.

7. SCOE did not perform the quarterly or annual reconciliation of their budgeted versus actual contract staff personnel costs in accordance with OMB A-87 and bill the resulting actual costs to DOR as required by the Contract.

The personnel costs in the accounting and payroll system were used to bill DOR but these amounts were determined using budgeted percentage rates. For example, in April 2006 a contract staff person's personnel costs billed were based on a budgeted rate of 50% when she actually accounted for 61% of her time on contract activities, resulting in an under-billing of \$512. Since no funds are left in the Personnel budget category, no audit adjustment will be made.

While OMB A-87 allows public agencies to submit billings based on budget estimates throughout the fiscal year, it requires that reconciliations be performed to bring the budgeted amounts to actual costs as described in OMB A-87. The Contract Exhibit B states DOR will pay the Contract for actual costs, incurred and paid, in providing the services as identified on the Service Budget, not to exceed the budget category. Also, it is important that reconciliations be performed for proper monitoring that could identify whether any modifications to the contract should be made.

**Recommendation:**

SCOE perform reconciliations of personnel costs, at least on a quarterly basis, in accordance with OMB A-87 and bill the actual costs to DOR in compliance with the Contract.

### **Contract Compliance – Operating**

8. SCOE incorrectly billed travel costs and parking expenses on the Training line item.

- a. Travel costs and parking expenses incurred for the TPP program were incorrectly billed on the Training line item rather than the Travel line item. SCOE records travel and parking expenses under 'Conference Expense' in the general ledger as required by the California School Accounting Manual and its Chart of Accounts. SCOE then billed DOR the Conference Expense total on the Training line item even though it included travel and parking expenses. Since the travel and parking expenses were allowable but were just billed to the incorrect line item and would only result in moving the expenses between line items, no audit adjustment will be made.

The Contract requires that allowable expenses be billed to the appropriate line item. The Contract Budget Narrative Training line item includes training costs; the Travel line item includes travel expenses for TPP staff, including parking expenses.

- b. SCOE billed DOR for unallowable hotel costs that exceeded the State employee rate. Contract staff attending a conference stayed at a hotel in Anaheim that charged \$94.00 per night. However, the maximum approved lodging rate in Orange County is \$84 per night. SCOE thought Anaheim was in Los Angeles County and assumed that a hotel recommended by a State organization (not DOR) would be in compliance with the State regulations. Due to the immaterial amount, no audit adjustment will be made.

The Contract Exhibit D only allows reimbursement of travel and per diem under the Contract at rates not to exceed those amounts paid to the State's employees. Although SCOE may be required to reimburse employees for the actual travel costs incurred and paid, SCOE can only receive reimbursement from DOR up to the maximum rates stated above.

- c. SCOE billed DOR based on a travel/conference advance rather than the actual expenses incurred and paid. The travel/conference fee advance amount of \$696 for a Workability I conference was recorded in SCOE's Financial Activity Report as an encumbrance which was then used to report amounts on the DOR monthly invoice. Since the contract staff attended the training and submitted a Conference and Travel Expense Claim to

close out the travel advance and had incurred additional expenses that were paid and billed for in April 2006, no audit adjustment will be made.

The Contract Exhibit B specifies the State will pay SCOE as invoiced monthly, in arrears for SCOE's actual costs in providing the services identified in the Service Budget. Travel advances do not represent actual costs because the funds are encumbered for a future event which hasn't taken place yet.

**Recommendation:**

SCOE ensure that DOR bills for expenses that are:

- Explicitly identified in the approved Contract Budget Narrative,
- Reported on the correct line item,
- Incurred and paid.

SCOE develop a procedure to delay billing DOR for any advance encumbrances reported on the Financial Activity Report until the event actual costs have been incurred and paid. One option for consideration could be a DOR invoice reconciliation worksheet.

SCOE only bill DOR for travel and per diem rates that do not exceed those amounts paid to the State's employees.

Additionally, we suggest SCOE, in consultation with the DOR Contract Administrator, amend its budget narrative line item description to more accurately reflect the Conference expenses included in the Financial Activity Report. This would provide for a more efficient billing process, improve accuracy in billing expenses to the appropriate line item, and provide a better audit trail.

9. The SCOE Conference and Travel Expense Claims (claims) prepared by contract staff did not adequately support the mileage expenses billed to DOR. Specifically, the information indicated in the purpose column was not always sufficient to determine that the purpose was for DOR contract activities. Although some purposes were sufficient, such as "orientation with TPP student," others were not, such as:
  - bookstore visit
  - financial aid office w/ student
  - visit with student
  - see students and teachers
  - work experience (not a contract service)

The claims also did not contain consumer names for which the mileage expense was incurred nor provide a trail to supplemental documentation to support the mileage was incurred for a specific consumer or group of consumers.

The Contract Budget Narrative Travel line item includes mileage reimbursement for CA/TPP staff to establish job options, train and monitor clients, obtain training and other functions directly related to the cooperative program.

### **Recommendation**

SCOE update procedures to ensure the purpose is sufficiently documented to adequately support that the mileage was incurred for specific allowable contract services, including documenting the consumers for which the mileage was incurred on the claim or alternative document. Further, SCOE train staff on the new procedures and monitor the Monthly Mileage Report to ensure compliance with the new procedures.

### **Contract Compliance – Consumer Services**

10. SCOE did not retain all case notes used to prepare the monthly progress reports as required by the Contract. SCOE purged the case notes for consumers with closed cases because they believed the monthly progress reports were sufficient to support the services and because they inappropriately concluded that the case notes were Teacher Reports and thus were not mandated to be retained.

The Contract Exhibit C and Exhibit D requires the contractor to maintain all records and supporting documentation pertaining to the performance of the Contract for a period of three (3) years after the final payment under the contract or until completion of the action and resolution of all issues prior to expiration of the three (3) year period, whichever is later.

OMB A-87 requires that to be allowable under Federal awards, costs must be adequately documented.

### **Recommendation:**

SCOE retain all documentation, including all case notes documenting services provided to consumers, to support the services and expenditures billed to DOR.

11. SCOE did not prepare and maintain cumulative service reports to adequately monitor and track the Service Outcomes/Numbers to be



Served in the Contract. As a result, we were unable to determine whether SCOE achieved the contractor goals identified in the contract for unduplicated number of consumers to be served, employment services, job coaching services, and job retention. SCOE has since created a report with this data effective November 2006 as requested by the DOR Contract Administrator; and the report was submitted during the 2006/2007 fiscal year.

The Contract Scope of Work specifies the service outcomes/numbers to be served under the Contract. Without a cumulative listing of the consumers served and the applicable contract services provided, the Contractor and DOR Contract Administrator are unable to track and monitor whether the Contractor is meeting the service outcomes/numbers identified in the Contract.

**Recommendation:**

Now that SCOE prepares service reports, if through monitoring it is noted that the contractor goals are not being achieved, then SCOE and the DOR Contract Administrator should review and discuss the reason(s) why and take appropriate action.

12. Although SCOE has a Case Notes form, several consumer case notes were documented on plain paper or e-mail copies with inconsistent format, content, legibility, or date order, making it difficult to support the adequacy of the services provided.

**Recommendation:**

SCOE document all case notes in a sufficient, legible format to support the services provided and progress made in achieving the consumers' IPE goals as a result of the contract services.

**Sonoma County Office of Education  
TPP Cooperative Agreement #24057 for Fiscal Year 2005/06**

**Summary of Overbilling**

<b>Finding Number</b>	<b>Contract Line Item</b>	<b>Overbilling</b>
1	Indirect Costs Adjustment to Contract Approved Rate 5.62%	\$4,380
2	Cell Phone Purchase	\$81
2	Indirect Cost Adjustment (5.62%per Contract)	\$5
	<b>Total Due to DOR</b>	<b>\$4,466</b>

## Response From Sonoma County Office of Education

September 16, 2008

Lori Bruno  
Acting Chief,  
Audit Services



5340 Skylane Boulevard  
Santa Rosa, CA 95403-8246  
(707) 524-2600 ■ [www.scoe.org](http://www.scoe.org)

Dear Ms. Bruno,

Attached please find our itemized response to the Audit Findings dated September 5, 2008.

Although the draft was e-mailed, the hard copy was not received in our office until September 12, 2008, with responses due to you on September 22, 2008. We find it interesting that we waited 18 months from the commencement of the audit to receive a draft report and yet we are expected to respond in 11 business days.

In reading the audit there is no acknowledgement of the outstanding work done by the County Office of Education staff in serving the clients. There is no acknowledgement of the fact that we fully met the intent of the grant and that we provided important and meaningful services to children while diligently attempting to follow the guidelines of the state. As SCOE's Assistant Superintendent of Special Education Programs, it is my professional opinion that our team is one of the best in the state, at both program development and management, and that opinion has been shared by every Department of Rehabilitation Administrator with whom we have worked.

We will be returning the \$4,466 in charges questioned upon receipt of an invoice from DOR. We would like to note that we consider the amount of \$4,466 immaterial in relationship to a grant in excess of \$1,000,000 – it represents less than one-half of one percent of the expenses for the program in the audited year. This is especially true when one looks deeper and finds that one disputed charge involving \$4,380 makes up the majority of the finding and is a result of a procedural mid-year adjustment by the business office when the indirect cost rate was approved by the Department of Education. We will not, however, be attempting to recover the dollars in excess of that amount that we discovered in the process that could have been recovered by SCOE, because we feel it would be a waste of staff time to do so.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Moe", is written over a horizontal line.

Gary Moe  
Assistant Superintendent, Special Education

Cc: Dr. Carl Wong  
Sue Nieuwenhuijs  
Peter Harsch  
Denise Calvert

## **Audit Services' Comments on the Response from Sonoma County Office of Education**

To provide additional information and clarity, we are commenting on the response to our audit report regarding the indirect cost rate.

Sonoma County Office of Education (SCOE) states:

**“...one disputed charge involving the \$4,380 makes up the majority of the finding and is a result of a procedural mid-year adjustment by the business office when the indirect cost rate was approved by the Department of Education.”**

However, this statement is incorrect as noted by the following:

- The SCOE Fiscal Services office confirmed they had received notification of the Department of Education approved indirect cost rate of 6.89% at the end of March 2005, prior to the audited fiscal year 2005/2006, effective July 1, 2005.
- As identified in the Audit Report finding #1, SCOE submitted all Service Invoices for reimbursement using the 6.89% indirect cost rate during the fiscal year audited, with the first Service Invoice prepared for July 2005 dated September 2, 2005.
- The Certified Expenditure Summaries submitted also reported SCOE indirect costs using the 6.89% rate.
- Audit Services agrees that the SCOE Program Manager would not have received notification of the 2005/2006 final approved indirect cost rate during the initial 2005/2006 contract development period, in which the contract was formally approved on May 2, 2005 by Department of General Services. However, on May 16, 2005, SCOE subsequently submitted a request for an amendment to increase the contract budget, which was formally approved on September 26, 2005. If the SCOE Program Manager had confirmed the indirect cost rate with the Fiscal Services office during the development of the amendment request, SCOE could have included the final approved 6.89% indirect cost rate into the amendment request.